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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-5735-N-02]

Home Equity Conversion Mortgage (HECM) Program: Non-Borrowing Spouse – Solicitation of Comment

AGENCY: Office of the Assistant Secretary for Housing-Federal Housing Commissioner, HUD.

ACTION: Notice.

SUMMARY: On April 25, 2014, the Federal Housing Administration (FHA) issued Mortgagee Letter 2014-07, announcing the amendment to HECM program regulations and requirements concerning due and payable status where there is a Non-Borrowing Spouse at the time of loan closing, consistent with the authority to make such changes by the Reverse Mortgage Stabilization Act, signed into law on August 9, 2013. The new HECM requirements are necessary in order to ensure the financial viability of the HECM program and the Mutual Mortgage Insurance Fund (Fund), and to comply with the statutory requirement concerning the Secretary's fiduciary duty to the Fund. The new HECM requirements will take effect for case numbers assigned on or after August 4, 2014. This notice solicits comment for a period of 30 days on the new requirements announced in Mortgagee Letter 2014-07.

DATES: Comment Due Date: **[INSERT DATE THAT IS 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER.]**

ADDRESSES: Interested persons are invited to submit comments regarding this notice to the Regulations Division, Office of General Counsel, Department of Housing and Urban Development, 451 7th Street, SW, Room 10276, Washington, DC 20410-0500.

Communications must refer to the above docket number and title. There are two methods for submitting public comments. All submissions must refer to the above docket number and title.

1. Submission of Comments by Mail. Comments may be submitted by mail to the Regulations Division, Office of General Counsel, Department of Housing and Urban Development, 451 7th Street, SW, Room 10276, Washington, DC 20410-0500.

2. Electronic Submission of Comments. Interested persons may submit comments electronically through the Federal eRulemaking Portal at www.regulations.gov. HUD strongly encourages commenters to submit comments electronically. Electronic submission of comments allows the commenter maximum time to prepare and submit a comment, ensures timely receipt by HUD, and enables HUD to make them immediately available to the public. Comments submitted electronically through the www.regulations.gov website can be viewed by other commenters and interested members of the public. Commenters should follow the instructions provided on that site to submit comments electronically.

Note: To receive consideration as public comments, comments must be submitted through one of the two methods specified above. Again, all submissions must refer to the docket number and title of the notice.

No Facsimile Comments. Facsimile (FAX) comments are not acceptable.

Public Inspection of Public Comments. All properly submitted comments and communications submitted to HUD will be available for public inspection and copying between 8 a.m. and 5 p.m. weekdays at the above address. Due to security measures at the HUD Headquarters building, an appointment to review the public comments must be

scheduled in advance by calling the Regulations Division at 202-708-3055 (this is not a toll-free number). Individuals with speech or hearing impairments may access this number via TTY by calling the Federal Relay Service at 800-877-8339. Copies of all comments submitted are available for inspection and downloading at www.regulations.gov.

FOR FURTHER INFORMATION CONTACT: Karin Hill, Senior Advisor, Single Family Program Development, Office of Housing, Department of Housing and Urban Development, 451 7th Street, SW, Room 9280, Washington, DC 20410-9000, telephone number 202-708-4308. (This is not a toll-free number). Hearing or speech impaired individuals may access this number via TTY by calling the toll-free Federal Relay Service during business hours at 1-800-877-8337.

SUPPLEMENTAL INFORMATION:

On August 9, 2013, the President signed into law the Reverse Mortgage Stabilization Act of 2013 (Pub. L. 113-29). This law gives FHA the authority to establish, by notice or mortgagee letter, any additional or alternative requirements that the Secretary, in the Secretary's discretion, determines are necessary to improve the fiscal safety and soundness of the HECM program authorized by section 255 of the National Housing Act, which requirements shall take effect upon issuance. This law gives FHA the authority to quickly set in place changes to improve the fiscal safety and soundness of the HECM program. Acting on this authority, on April 25, 2014, FHA issued Mortgagee Letter 2014-07.¹

Since the inception of the HECM program in 1989, FHA has interpreted the mortgage insurance eligibility requirement in subsection 255(j) of the National Housing

¹ The Mortgagee Letter can be found at <http://portal.hud.gov/hudportal/documents/huddoc?id=14-07ml.pdf>.

Act (as implemented in its regulations) as precluding HECMs from being called due and payable until the death of the last surviving mortgagor, or other specified conditions. FHA offers a variety of ways for the estate of the deceased HECM mortgagor to satisfy the HECM loan obligation, and for many years, Non-Borrowing Spouses were able to refinance into new HECMs following the death of their mortgagor spouse in order to retain the homes. However, FHA recognizes that for some Non-Borrowing Spouses this option has become more difficult. In this Mortgagee Letter, FHA advances, prospectively only, an alternative interpretation of subsection 255(j) which extends the insurance eligibility requirement that precludes loan acceleration in new HECMs to both the mortgagor and Non-Borrowing Spouse. In most cases, this will obviate the need for a Non-Borrowing Spouse to refinance the HECM loan upon the death of the mortgagor. The specific changes to, and new requirements of, the HECM program are detailed in Mortgagee Letter 2014-07.

Although this extension of mortgage insurance eligibility requirements will be part of FHA's upcoming proposed rule on HECM, FHA solicits comment in advance of the proposed rule. Comments submitted in response to this solicitation will be taken into consideration in the development of the proposed rule.

Dated: April 28, 2014.

Carol J. Galante,
Assistant Secretary for Housing-Federal
Housing Commissioner.

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